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**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA**

YELLOWCAKE, INC., a California corporation,

Plaintiff,

V.

HYPHY MUSIC, INC.,

Defendant.

Case No.:

1:20-cv-00988-DAD-BAM

**PLAINTIFF AND
COUNTERDEFENDANTS'
REPLY MEMORANDUM OF
POINTS AND AUTHORITIES
IN SUPPORT OF THEIR RULE
12(b)(6) MOTION TO DISMISS
DEFENDANT'S FIRST
AMENDED COUNTERCLAIMS**

**[Filed Concurrently with Request
for Judicial Notice]**

Judge: Hon. Dale A. Drozd
Date: November 3, 2020
Time: 9:30 a.m.
Courtroom: Courtroom 5, 7th floor

1)
2 HYPHY MUSIC, INC.,)
3)
4 Counterclaimant,)
5)
6)
7 YELLOWCAKE, INC.; COLONIZE)
8 MEDIA, INC.; JOSE DAVID)
9 HERNANDEZ, and JESUS CHAVEZ SR,)
10)
11 Counterdefendants.)
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1 **REPLY MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Plaintiff Yellowcake, Inc., (“Yellowcake”) and Counterdefendants Colonize
 4 Media, Inc., (“Colonize”) and Jose David Hernandez (“Hernandez”), submit this Reply
 5 Memorandum in further support of their Motion to Dismiss Defendant/Counterclaimant
 6 Hyphy Music, Inc.’s (“Hyphy”) First Amended Counterclaims numbered 1, 3, 4, 5, 6,
 7 and 7 (“FACCs”). Hyphy’s own Sound Recording copyright registrations listed in
 8 Exhibit B of its FACCs directly contradict its arguments, making it clear that these are
 9 indeed spurious amended counterclaims that must be dismissed without leave to amend.
 10 *See ECF 15; Exhibits A, B, C & D* to the accompanying Reply Declaration of Seth L.
 11 Berman, Esq., (“Berman R. Dec.”).¹

12 Hyphy has admitted in its FACCs that it does not claim ownership of the Sound
 13 Recording copyrights at issue by any written agreement, and that its ownership claim is
 14 based only on an oral agreement, insufficient to establish ownership under the Copyright
 15 Act. Hyphy’s admission of no written contract in its FACCs is contradicted by the
 16 copyright registrations on which its counterclaim is based, in which Hyphy represented
 17 to the U.S. Copyright Office (U.S.C.O.) that it owns copyrights in the Sound Recordings
 18 at issue by written work for hire agreement (Berman R. Dec., Exs. A-C) and written
 19 agreement (Ex. D). Hyphy has not produced any of the required written agreements to
 20 that effect with its FACCs or Opposition. The absence of any written agreements, ‘for
 21 hire’ or otherwise, from Hyphy’s FACCs and Opposition leads to a single conclusion:
 22 the written agreements required to show Hyphy’s copyright ownership do not exist.

23 Further, Hyphy’s false representation to the U.S.C.O. that it owned the Sound
 24 Recordings under non-existent work for hire agreements or written agreements, which
 25 it has not produced, invalidates its registrations and bars it from using those registrations
 26 to satisfy the prerequisites for bringing a copyright infringement claim under 17 U.S.C.

27
 28 1 Berman R. Decl., **Exhibits. A-H** are U.S. Copyright Office records that are also submitted
 as attachments to the concurrently filed Request for Judicial Notice thereof.

1 §411. As Hyphy is unable to establish ownership, the first element of a copyright
 2 infringement claim, and the copyright registrations constituting its statutory prerequisite
 3 to suit are invalid, its counterclaims under the Copyright Act must be dismissed.

4 Hyphy's copyright registrations also refute its alternative basis for copyright
 5 ownership that it was a co-author with Chavez. Co-authorship would negate the need for
 6 a written agreement and both Hyphy and Chavez would have co-ownership rights in the
 7 Sound Recordings. If Hyphy truly believed it had a co-ownership interest in the Sound
 8 Recordings as a co-author with Chavez, then Hyphy still made false representations to
 9 the U.S.C.O. regarding authorship because Hyphy's registrations identify either Hyphy
 10 or Chavez alone as author, but never as co-authors. *See* Berman R. Dec., Exs. A-D.

11 Hyphy's argument that the oral agreement between Hyphy and Chavez is outside
 12 the California Statute of Frauds still cannot overcome the requirement under Copyright
 13 Act §204(a) and the definition of "work for hire" in §101 that copyright ownership and
 14 transfers thereof must be memorialized in a written agreement. Hyphy's argument that
 15 ownership of a "tangible" *i.e.*, physical copy of the Sound Recording Masters is an
 16 additional element qualitatively setting its state law claims apart from its federal
 17 copyright claims is untenable. Hyphy's state law claims would still be subject to
 18 dismissal as preempted by the Copyright Act as all of them are premised on an alleged
 19 agreement regarding the ownership and commercial exploitation of creative works –
 20 Copyright Act subject matter that lies in the particular domain of federal copyright law.

21 Hyphy's improper request for leave to amend, should be denied. Such a request
 22 is required to be made by counter-motion filed in addition to a party's opposition, instead
 23 of within the opposition memorandum. Hyphy failed to attach proposed pleadings, a
 24 procedural defect on which this Court has denied properly-noticed motions to amend.
 25 Amending would be futile and prejudicial as there is no basis on which Hyphy could
 26 amend its FACCs that would survive the arguments already set forth in this Motion.

27 **II. ARGUMENT**

28 **A. Hyphy Cannot Overcome its Admissions that it Lacks the Written**

1 **Agreements Required by Copyright Act §§101 and 204(a)**

2 Hyphy's amended copyright infringement claims fail to establish the ownership
 3 element of that cause of action and fail to state a claim. Hyphy's Opposition offers
 4 nothing that can overcome Hyphy's admission in its FACCs that its claim of copyright
 5 ownership is based on an oral agreement, insufficient to transfer copyright ownership
 6 under 17 U.S.C. §204(a)'s requirement that any transfer of copyright ownership be in
 7 writing. Moreover, §204(a) functions as the Copyright Act's own statute of frauds, and
 8 it is always applicable in the context of copyright ownership even when state statutes of
 9 frauds are not. *See Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994).

10 Hyphy's registrations represented to the U.S.C.O. that it owned one Sound
 11 Recording pursuant to a written agreement, and other three Sound Recordings as works
 12 for hire, requiring that Hyphy obtain a written work for hire agreement with the original
 13 author of the works. *See* Berman R. Decl., Exs. D; A-C; *see also*, 17 U.S.C. §101 (stating
 14 that a work may only be for hire "if the parties expressly agree in a written instrument
 15 signed by them that the work shall be considered a work made for hire."). Hyphy has
 16 not produced the written agreements needed to establish copyright ownership with its
 17 FACCs or Opposition. With Hyphy's concession that its alleged agreement with Chavez
 18 was oral, the only conclusion is that no written agreements, and no ownership, exist.

19 **B. Hyphy's False Representations to the Copyright Office Invalidate its**
 20 **Registrations, Warranting Dismissal for Lack of Standing**

21 The registration information for each of Hyphy's copyrights is unsupported by or
 22 directly contradicted by its admissions and omissions in its FACCs and Opposition.
 23 Hyphy claims to rely on these registrations as the statutory prerequisite for its
 24 infringement counterclaims under 17 U.S.C. §411, but it is clear that Hyphy willfully
 25 made false representations to the U.S.C.O. in order to obtain sham registrations. Its
 26 counterclaims based on false and invalid copyright registrations should be dismissed.

27 Neither copies nor even a mention of the written agreement or written work for
 28 hire agreements are contained in the FACCs and Opposition demonstrating that the

1 required writings do not exist. Copies of the written agreement and written work for hire
 2 agreements required by Hyphy's representations in its registrations (Berman R. Dec.,
 3 Exs. A-D), are absent from Hyphy's pleadings and Opposition demonstrating that the
 4 required writings do not exist. This invalidates Hyphy's copyright registrations, showing
 5 that Hyphy knowingly made false representations to the U.S.C.O. that it owned the
 6 Sound Recordings pursuant to non-existent written agreements. The fourth registration
 7 (Berman R. Dec., Ex. D) which alleges transfer of ownership by written agreement that
 8 Hyphy has not produced in its defense, is further suspect. The fourth registration was
 9 filed in early 2017, during the term of Hyphy and Chavez's alleged oral agreement. Yet
 10 Hyphy's FACCs do not allege the existence of a single written agreement from 2017 –
 11 the FACCs only claim ownership via the alleged oral agreement. ECF 15, ¶16.

12 Hyphy already had knowledge of Yellowcake's registration for the same exact
 13 works when it filed its application for Reg No. SR0000876925 in August 2020, days
 14 after this action was filed on July 16, 2020. *See* Berman R. Dec., Exhibits F & B
 15 respectively; *see also* Exs. E, G, & H (Yellowcake's registrations filed as Ex. A to ECF
 16 1). Hyphy the alternative theory that it is a co-author with Chavez, but does not identify
 17 itself and Chavez as co-authors in this registration. (Ex. B). Instead, it represents that it
 18 authored those Sound Recording pursuant to a work for hire agreement, which is
 19 required to be in writing, and which Hyphy has not produced. The contradictory
 20 information in this post-suit registration further makes it clear that Hyphy willfully made
 21 false representations to the U.S.C.O., and in the case of Reg. No. SR0000876925, did so
 22 only to obtain a sham registration so it could file infringement counterclaims.

23 In this manner, each of Hyphy's copyright registrations fails on its face because
 24 it knowingly misrepresents material facts regarding ownership and authorship to the
 25 U.S.C.O. If the U.S.C.O. had known Hyphy knowingly provided false information on
 26 its applications, it would have denied registration. *See* 17 U.S.C. §411(b). As no action
 27 for copyright infringement can be instituted without copyright registration, the
 28 invalidation of Hyphy's copyright registrations requires dismissal of its claims. *See* 17

1 U.S.C. §411(a); *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S.Ct.
 2 881, 885 (2019) (“[R]egistration...has been made not when an application for registration
 3 is filed, but when the Register has registered a copyright after examining a properly filed
 4 application.”). Hyphy already knew it had no valid defense to Yellowcake’s
 5 infringement claims before it filed its post-suit copyright registration and FACCs. Rather
 6 than admit it had no defense, Hyphy needlessly prolonged and complicated this litigation
 7 by filing counterclaims based on invalid registrations obtained by false representations
 8 to the U.S.C.O. On this basis alone, Hyphy’s FACCs should be dismissed.

9 **C. Registrations Identified in Exhibit B to Hyphy’s First Amended Counter-**
claims Utterly Refute Hyphy’s Conflicting Theory of Co-Authorship

10 Hyphy’s own copyright registrations undercut its theory of co-authorship because
 11 the registrations represent that the works are ‘for hire’ and no co-authors are identified
 12 on the registration indicating that Hyphy, via work for hire agreement, is the sole owner
 13 and author. On one hand, Hyphy argues that its alleged oral agreement with Chavez is
 14 sufficient to transfer full ownership of the Sound Recordings to Hyphy. On the other
 15 hand, Hyphy argues that it co-authored the Sound Recordings with Chavez, a situation
 16 in which no agreement between Hyphy and Chavez would have been needed, and both
 17 would have had ownership rights as co-authors.

18 In the latter situation, Chavez could legally assign his partial ownership as co-
 19 author to Yellowcake by written agreement, without infringing Hyphy’s rights as the
 20 other partial owner and co-author. *Ondo v. Ries*, 743 F.2d 630, 632-633 (9th Cir. 1984)
 21 (“A co-owner of a copyright cannot be liable to another co-owner for infringement of
 22 the copyright. Rather, each co-owner has an independent right to use or license the use
 23 of the copyright.”). *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir.
 24 2008), cited by Hyphy is distinguishable as it only establishes that one co-owner of a
 25 copyright cannot transfer the entirety of an exclusive right in the copyright without the
 26 permission of the other co-owner(s). It does not mean that a co-owner could not sell its
 27 partial ownership interest to a third-party. As such the sale of Chavez’s partial ownership
 28

1 interest to Yellowcake is valid.

2 If they were truly co-authors, why did Hyphy not list Chavez and itself as co-
 3 authors instead of only naming itself and describing the work as “for hire” in its
 4 registrations? In fact, Hyphy did not list *any* co-authors on its registrations. In addition
 5 to Chavez, all other contributors, *i.e.*, the musicians and production professionals
 6 referred to in ¶17 of Hyphy’s FACCs would all be alleged co-authors, not Hyphy. ECF
 7 15. Even on the one registration where Hyphy identifies Chavez and several other
 8 individuals as co-authors, Hyphy does not identify itself as a co-author, showing that it
 9 never held itself out as a contributing co-author until this litigation. As such, Hyphy
 10 should be estopped from asserting its inconsistent alternative theory of co-authorship by
 11 its own representations to the U.S.C.O. regarding authorship.

12 **D. If the Court Deems Hyphy and Chavez to be Co-Authors, All of Hyphy’s**
 13 **Amended Counterclaims are Rendered Moot, and Must be Dismissed**

14 Assuming *arguendo* that Hyphy was a co-author, (yet in reality, by its own
 15 admission, it is not), that still would not provide Hyphy with a basis for a viable
 16 counterclaim for copyright infringement or any of Hyphy’s state law claims against
 17 Plaintiff/Counterdefendants. If the Court entertains Hyphy’s proffered “alternative”, and
 18 deems it a co-author and co-owner with Chavez, then all of Hyphy’s other causes of
 19 action, including its state law claims based on a contract or implied contract, and the
 20 associated rights to possession of income or property, would have to be dismissed.

21 As a co-author with Yellowcake through its acquisition from Chavez, at best
 22 Hyphy would have a cause of action for an accounting for Yellowcake’s sales and/or
 23 income earned from the Sound Recordings since Yellowcake’s acquisition of its interest
 24 in the copyrights. Likewise Hyphy would have to make an accounting to Yellowcake
 25 for its sales and/or income after the date of acquisition and to Chavez prior to the date
 26 he transferred his partial ownership interest to Yellowcake.

27 **E. The State Law Claims are Preempted by the Copyright Act Regardless of**
 28 **Whether Hyphy Alleges Ownership by Co-Authorship or by Contract**

1 Under Hyphy's alternative theory of co-authorship indicating co-ownership
 2 without the need for a contract, the Court would not need to address preemption of
 3 Hyphy's state law claims as they would all be rendered a nullity where both parties were
 4 co-authors and therefore co-owners. If the Court does not credit Hyphy's alternative
 5 theory, each of Hyphy's state law claims for interference with contractual relations,
 6 interference with business advantage, unfair competition, and conversion are *still* subject
 7 to dismissal as they each arise from issues of ownership, exploitation of, and loss of
 8 income from musical Sound Recordings, alleging violation of rights no broader than or
 9 distinct from those protected by the Copyright Act. ECF 15, ¶¶56-58, 64, 68, 74.

10 Hyphy's argument that Plaintiff/Counterdefendants only addressed "intangible"
 11 intellectual property rights in their preemption analysis of Hyphy's amended state law
 12 counterclaims, to the exclusion of "tangible" property rights, is absolutely ridiculous.
 13 Simply, if a claim "is predicated on the unauthorized reproduction of creative work"
 14 then the claim is preempted. *220 Laboratories, Inc. v. Babaii*, 2008 WL 5158863, at *8
 15 (C.D. Cal., Dec. 8, 2008). Hyphy's amended state law counterclaims are all based on its
 16 alleged loss of income from its reproduction and distribution of the intangible digital
 17 Sound Recordings on intangible digital music consumer platforms such as the website
 18 www.youtube.com, due to Yellowcake's allegedly infringing reproduction and
 19 distribution of the same intangible digital products in the same intangible digital
 20 marketplaces. *See* ECF 1, ¶¶15-16; ECF 15, ¶¶56-58, 64, 68, 74.

21 In the paragraphs of its FACCs that Hyphy cites as the bases for its argument that
 22 possession of the tangible Masters adds a qualitatively different element to its claims,
 23 there is no allegation that Chavez improperly possessed a physical copy of the Sound
 24 Recordings or transferred any physical copy of the Sound Recordings to Yellowcake.
 25 ECF 15, ¶¶64, 68. In ¶¶56-58, 68, Hyphy's allegations pertain to the reproduction and
 26 distribution of the Sound Recordings on the digital platform www.youtube.com. No
 27 physical or "tangible" copy of the Sound Recordings is required for Hyphy or
 28 Yellowcake to reproduce and distribute the Sound Recordings in the exclusively digital

1 environment of sites such as www.youtube.com. As the alleged reproduction and
 2 distribution is in a digital web-based context independent of possession of a physical
 3 copy of the Sound Recordings, the tangible state of property is not an element of the
 4 exercise of dominion over property implicated in ¶74. ECF 15. Even if Hyphy owned
 5 the physical Master (which it does not), as author Chavez would still have the Copyright
 6 Act 106 right to make his own copies and grant that right to third parties like Yellowcake.

7 Hyphy's reliance on the *title* of Section 202 of the Copyright Act: "Ownership of
 8 copyright as distinct from ownership of material object" is wholly misplaced. The text
 9 of 17 U.S.C. §202² actually supports Plaintiff/Counterdefendants' position. It simply
 10 states that copyrights cannot be transferred by transferring ownership of the material
 11 object in which the work is first fixed – the so-called "Master copy." As such, even
 12 assuming that Hyphy could own the "Master copy" by virtue of its oral argument with
 13 Chavez, which it does not, Chavez would still retain the right as author to transfer the
 14 right to make copies of the master recordings to Plaintiff/Counterdefendants. On the
 15 other hand, Hyphy would still have no right to make any other copies without express
 16 written permission from Chavez.

17 As the foregoing makes clear, Hyphy's state law claims are not qualitatively
 18 different from its copyright infringement claims. Although a claimant may claim an
 19 "extra element", namely, loss of business and/or a defendants' intent, federal copyright
 20 laws already protect the exclusive right of distribution. *See Aagard v. Palomar Builders,*
Inc., 344 F.Supp.2d 1211, 1219 (E.D. Cal. 2004) (rejecting argument that loss of business
 21 resulting from defendant's sale of plaintiff's copyrighted work was extra element to
 22 intentional interference with prospective economic relations claim because "federal
 23

25 2 "Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct
 26 from ownership of any material object in which the work is embodied. Transfer of ownership
 27 of any material object, including the copy or phonorecord in which the work is first fixed,
 28 does not of itself convey any rights in the copyrighted work embodied in the object; nor, in
 the absence of an agreement, does transfer of ownership of a copyright or of any exclusive
 rights under a copyright convey property rights in any material object."

1 copyright laws already protect the exclusive right of distribution"). Courts routinely
 2 dismiss interference claims as preempted where such claims "amount[] to nothing more
 3 than [a] reiterat[ion] [of] an economic loss resulting from the misappropriation of
 4 plaintiff's copyrighted work." *Wild v. NBC Univ., Inc.*, 788 F.Supp.2d 1083, 1111 (C.D.
 5 Cal. 2011). "[W]hile a claim for conversion typically involves tangible property and thus
 6 may be immune from preemption, where a plaintiff is only seeking damages from a
 7 defendant's reproduction of a work - and not the actual return of a physical piece of
 8 property - the claim is preempted." *Firoozye v. Earthlink Network*, 153 F.Supp.2d 1115,
 9 1130 (N.D. Cal. 2001); *Dielsi v. Falk*, 916 F.Supp. 985, 992 (C.D.Cal. 1996) (holding
 10 that a claim for conversion of intangible property arising from the reproduction of the
 11 property "is clearly equivalent to a copyright claim"). Accordingly, each of Hyphy's
 12 amended counterclaims under state law are equivalent to federal copyright infringement
 13 claims and are thus preempted by the Copyright Act.

**F. Hyphy's Failure to Counter-Move and Attach a Proposed Pleading are
Procedural Defects Warranting Denial of its Request to Amend**

Hyphy's unauthorized and improper request for leave to amend its counterclaims a *second* time should be denied. First, Hyphy's request to amend is not properly before the Court. Hyphy's time to amend as of right under Fed. R. Civ. P. Rule 15 has expired, and any request for amendment after that time period expires must be made by motion. Hyphy failed to file a notice and counter-motion to amend its amended counterclaims at the time it filed its Opposition, in violation of the requirements of Local Rule 230(e) ("Any counter-motion or other motion that a party may desire to make that is related to the general subject matter of the original motion shall be served and filed in the manner and on the date prescribed for the filing of opposition.")

Second, Hyphy made an additional fatal procedural mistake by failing to file the proposed Second Amended Counterclaims required by Local Rule 137(c). This Court has denied counter-motions to amend that fail to attach a proposed amended pleading. *See Narayan v. Cty. of Sacramento*, 2020 WL 5658333, at *2 (E.D. Cal. Sept. 23, 2020)

1 (“[P]ursuant to Local Rule 137(c) parties are required to attach proposed amended
 2 complaints to their motion to amend. Here, plaintiff has not attached an amended
 3 complaint to his motion, in violation of Local Rule 137(c). Accordingly, plaintiff's
 4 motion to amend his complaint is DENIED.”); *Herrera v. California Highway Patrol*,
 5 2017 WL 590244, at *2 (E.D. Cal. Feb. 14, 2017) (same).

6 Amendment of counterclaims based on invalid copyright registrations would be
 7 futile and prejudicial. In the absence of a proposed amended pleading, consideration of
 8 Hyphy's representations in its Opposition provides a basis for dismissal. *Narayan*, 2020
 9 WL 5658333 at *2 (“[E]ven if plaintiff had attached a proposed amended complaint...it
 10 is unlikely that the court would grant his request due to potential prejudice to defendants
 11 and futility of plaintiff's amendment.”) Courts consider five factors in assessing leave
 12 to amend: *bad faith, undue delay, prejudice to the opposing party, futility of amendment*,
 13 and whether the claimant has previously amended its claims. *See id.*, at *2. There is
 14 nothing Hyphy can plead that can overcome its concession that its claim of copyright
 15 ownership is based on an oral agreement. There is nothing that Hyphy can plead that can
 16 overcome the invalidity of the registrations that Hyphy obtained in bad faith and relies
 17 on as the statutory prerequisite for its copyright counterclaims.

18 Hyphy's pleadings and Opposition have revealed that it has been developing the
 19 amended counterclaims it improperly seeks to amend (again) since this matter was filed,
 20 albeit by engaging in bad faith actions to obtain the prerequisite registrations through
 21 willful false representations to the U.S.C.O. *See Argument §B*. If granted leave to amend
 22 its amended counterclaims Hyphy will only use that opportunity to engage in further
 23 deceitful acts, resulting in prejudice to Plaintiff/Counterdefendants.

24 **III. CONCLUSION**

25 For all of the foregoing reasons, it is respectfully requested that this Court grant
 26 Plaintiff/Counterdefendants' Motion to Dismiss Hyphy's First Amended Counterclaims
 27 numbered 1, 3, 4, 5, 6, and 7, pursuant to FRCP 12(b)(6) for failure to state a claim, as
 28 well as such other and further relief as the Court may deem just and proper.

Dated: October 27, 2020

Respectfully submitted,

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By: /s/ Seth L. Berman

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CERTIFICATE OF SERVICE

I hereby certify that this document filed through the ECF system on this 27th day of October 2020, will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF) and paper copies will be sent to those that are indicated as non-registered participants, if any.

/s/ Seth L. Berman
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